

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01

DODE-00 PA-02 USIA-15 PRS-01 /096 W

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FM AMEMBASSY PARIS

TO SECSTATE WASHDC 7660

INFO USMISSION EC BRUSSELS

USMISSION OECD PARIS

UNCLAS SECTION 01 OF 02 PARIS 06939

E.O. 11652: N/A

TAGS: EFIN, FR

SUBJECT: EXPORT PROMOTION INCLUDED IN SIX SMALL STEPS  
TO STIMULATE THE FRENCH ECONOMY ANNOUNCED BY FINANCE  
MINISTER

REF: (A) PARIS 20100, 1974; (B) PARIS 14374, 1974

1. SUMMARY: ON MARCH 17 FINANCE MINISTER FOURCADE  
ANNOUNCED SIX ADDITIONAL MEASURES TO RESTIMULATE FRENCH  
ECONOMY. THREE MEASURES ARE DESIGNED TO ATTACK DECLINE  
IN FRENCH CONSTRUCTION INDUSTRY, THREE OTHERS TO PROMOTE  
INDUSTRIAL INVESTMENTS. AMONG LATTER ARE AN ADDITIONAL  
THREE BILLION FRANCS FOR SPECIAL CREDIT PROGRAM TO  
PROMOTE PRODUCTION FOR EXPORT LAUNCHED IN 1974. END  
SUMMARY.

2. IN LENGTHY PRESS CONFERENCE ANNOUNCED ONLY A FEW  
HOURS BEFOREHAND, FINANCE MINISTER JEAN-PIERRE FOURCADE  
ANNOUNCED SIX NEW MEASURES DESIGNED TO PROVIDE ADDITION-  
AL STIMULATION TO FRENCH ECONOMY WITHOUT REKINDLING  
FRANCE'S SLOWLY COOLING INFLATIONARY FIRES.

THREE OF THE SIX MEASURES ARE INTENDED TO INCREASE

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PRODUCTIVE INVESTMENT.

A. THE MOST NOTEWORTHY OF THESE IS THE PROVISION OF AN ADDITIONAL 3 BILLION FRANCS IN SPECIAL CREDITS TO ENCOURAGE INVESTMENT IN PRODUCTIVE CAPACITY GEARED TO EXPORTS (REF A). FOURCADE NOTED THAT THIS PROGRAM HAD RECEIVED A STRONG RESPONSE "IN RECENT MONTHS," AND THAT MANY APPLICATIONS REMAINED UNFILLED. AS BEFORE, FUNDS NEWLY AVAILABLE WILL BE DIVIDED ON 50-50 BASIS BETWEEN COMMERCIAL BANK CREDITS FREE OF CREDIT RESTRICTIONS AND LOANS BY STATE CREDIT INSTITUTIONS (FOR WHICH THE LATTER OBTAIN FUNDS THROUGH FOREIGN BORROWING). THE REGIONAL DEVELOPMENT CORPORATIONS ARE TO GET AN INCREASED SHARE OF THE NEW LENDING CAPACITY. ALTHOUGH THIS MEASURE IS INCLUDED IN BASKET OF "DOMESTIC" MEASURES, FINANCE MINISTRY ANNOUNCEMENT NOTES GOAL IS TO HELP INDUSTRIES INCREASE CAPACITY "IN ORDER TO SIGNIFICANTLY INCREASE THE VOLUME OF THEIR EXPORT SALES."

B. THE REDUCTION OF DEPRECIATION ALLOWANCES PUT INTO EFFECT JULY 1, 1974 AS PART OF GOF ANTI-INFLATIONARY POLICY (REF B) WILL END ON MARCH 31 INSTEAD OF JUNE 30 AS ORIGINALLY PLANNED. THE LOSS IN ANTICIPATED REVENUES IS 300 MILLION FRANCS.

C. REGULATIONS REQUIRING SPECIFIED DOWN-PAYMENTS AND LIMITING DURATION OF FINANCING ON PURCHASES OF VEHICLES AND OTHER EQUIPMENT FOR BUSINESS PURPOSES ARE SUSPENDED.

3. THREE OTHER MEASURES CONCERN HOUSING CONSTRUCTION. THESE INCLUDE:

A. CONSTRUCTION OF AN ADDITIONAL 25,000 UNITS OF PUBLIC OR PUBLIC-FINANCED HOUSING (WITH POSSIBILITY OF

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OWNERSHIP), EXPECTED TO COST 550 MILLION FRANCS.

B. EXEMPTION OF SUPPLEMENTARY HOUSING LOANS FROM CREDIT CEILINGS. THESE BANK LOANS, OFTEN NECESSARY TO SUPPLEMENT STANDARD HOME LOANS, WERE FREQUENTLY REFUSED BY BANKS ON GROUNDS OF GOVERNMENT CREDIT RESTRICTIONS.

C. A FIVE PERCENT INCREASE IN COST CEILINGS FOR PUBLIC OR PUBLICLY FINANCED HOUSING, JUSTIFIED AS MEETING INCREASED COSTS OF ENERGY-SAVING INSULATION AND OTHER NEWLY REQUIRED IMPROVEMENTS. COST IS EXPECTED TO BE SOME 300 MILLION FRANCS.

4. COMMENT. GIVEN THE BUDGETARY COSTS INVOLVED, THESE NEW MEASURES ARE INDEED SMALL STEPS. IT IS ALSO UNLIKELY THAT THEY WILL SATISFY DEMANDS OF LABOR AND BUSINESS FOR A REVERSAL OF GOVERNMENT POLICY TOWARDS OUT-AND-OUT STIMULATION. THREE OF THE SIX, HOWEVER, POKE FURTHER HOLES IN THE GOVERNMENT'S BARRIERS TO CREDIT EXPANSION -- A TECHNIQUE ALREADY MADE LESS UNCLASSIFIED

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IMPORTANT BY THE GENERAL DECLINE IN BUSINESS ACTIVITY. THE INCREASE IN CREDITS TO FURTHER EXPORT-ORIENTED INDUSTRIAL PRODUCTION WOULD SEEM TO INDICATE LITTLE GOF CONCERN FOR RECENT U.S. REPRESENTATIONS ON SUBJECT.  
RUSH

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
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**TAGS:** EFIN, FR, (FOURCADE, JEAN PIERRE)  
**To:** STATE  
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